



General Assembly

January Session, 2001

***Raised Bill No. 6924***

LCO No. 4049

Referred to Committee on General Law

Introduced by:  
(GL )

***AN ACT CONCERNING AUTOMOBILE EXTENDED WARRANTIES.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 42-260 of the general statutes is repealed and the following  
2 is substituted in lieu thereof:

3 (a) As used in this section:

4 (1) "Extended warranty" means a contract or agreement [for repair  
5 service] to perform or provide indemnification for the repair,  
6 replacement or maintenance of property because of operational or  
7 structural failure of a product due to a defect in materials, skill or  
8 workmanship or normal wear and tear given for consideration over  
9 and above the lease or purchase price of a product.

10 (2) "Extended warranty provider" means a person who issues,  
11 makes, provides or offers to provide an extended warranty to a buyer  
12 and who is contractually obligated to provide service under such  
13 extended warranty, excluding a retail seller of an extended warranty if  
14 such seller: (A) Is the manufacturer of the product covered under the  
15 extended warranty; (B) sells or offers an extended warranty for a

16 product obligating the manufacturer, distributor or importer to  
17 provide the service of the extended warranty; or (C) performs at least  
18 ninety per cent of the repair service provided to buyers pursuant to  
19 extended warranties purchased from such seller.

20 (3) "Buyer" means a person who purchases an extended warranty  
21 from an extended warranty provider.

22 (4) "Extended warranty reimbursement insurance policy" means a  
23 policy of insurance providing coverage for all obligations and  
24 liabilities incurred by an extended warranty provider under the terms  
25 of the extended warranty sold to a buyer by such provider.

26 (b) An extended warranty shall obligate the extended warranty  
27 provider to supply to the buyer all services and functional parts that  
28 may be necessary to repair the product for the duration of the  
29 extended warranty without additional charge, except as otherwise  
30 expressly provided.

31 (c) An extended warranty shall contain all of the following:

32 (1) A clear description and identification of the product;

33 (2) The date when the extended warranty commences and its  
34 duration, and, if the extended warranty is for less than one year, the  
35 extended warranty shall include a provision for the automatic  
36 extension of the extended warranty while the product is in the custody  
37 of the extended warranty provider for repair under such warranty;

38 (3) A description of the limits on transfer or assignment of the  
39 extended warranty if the enforceability of an extended warranty is  
40 limited to the original buyer or is limited to persons other than every  
41 consumer owner of the covered product during the term of the  
42 extended warranty;

43 (4) A statement of the obligation of the extended warranty provider  
44 including statements of: (A) Any services, parts, components, defects,

45 malfunctions, conditions, repairs or remedies that are excluded from  
46 the scope of the extended warranty; (B) any limits on the obligations of  
47 the extended warranty provider; (C) any additional services which the  
48 extended warranty provider will supply; (D) whether the buyer has  
49 the responsibility of any other obligations and, if so, the nature and  
50 frequency of such obligations, and the consequences of any  
51 noncompliance;

52 (5) A step-by-step explanation of the procedure which the buyer  
53 shall follow in order to obtain performance of any obligation under the  
54 extended warranty including: (A) The full legal and business name of  
55 the extended warranty provider; (B) the mailing address of the  
56 extended warranty provider; (C) the persons or class of persons that  
57 are authorized to perform service; (D) the name or title and address of  
58 any agent, employee or department of the extended warranty provider  
59 that is responsible for the performance of any obligations; (E) the  
60 method of giving notice to the extended warranty provider of the need  
61 for service; (F) whether in-home service is provided or, if not, whether  
62 the costs of transporting the product for service or repairs will be paid  
63 by the extended warranty provider; (G) if the product must be  
64 transported to the extended warranty provider, either the place where  
65 the product may be delivered for service or repairs or a toll-free  
66 telephone number which the buyer may call to obtain that information;  
67 (H) all other steps which the buyer must take to obtain service; and (I)  
68 all fees, charges and other costs that the buyer must pay to obtain  
69 service;

70 (6) A description of the services the extended warranty provider  
71 will supply under the extended warranty; and

72 (7) A statement of a right to cancel the warranty if the buyer returns  
73 the product or the product is sold, lost, stolen or destroyed, or a  
74 statement that there is no right to cancel.

75 (d) (1) An extended warranty shall not be issued, sold or offered for  
76 sale unless the extended warranty provider is insured under an

77 extended warranty reimbursement insurance policy issued by an  
78 insurer authorized to do business in this state or the extended  
79 warranty provider can demonstrate that reserves for claims contained  
80 in the provider's financial statements are not in excess of one-half of a  
81 provider's audited net worth. If such reserves are in excess of one-half  
82 of a provider's net worth, the reserves shall be held in trust by an  
83 independent trustee and certified annually as adequate by an actuary.

84 (2) The extended warranty reimbursement insurance policy shall  
85 cover the obligations under the extended warranty sold by the  
86 extended warranty provider during the period of time that such  
87 provider's insurance policy is in force.

88 (e) An extended warranty provider shall submit to the Insurance  
89 Commissioner: (1) A copy of the extended warranty form issued by  
90 said provider; and (2) a copy of said provider's extended warranty  
91 reimbursement insurance policy form issued by an insurer authorized  
92 to do business in this state or a certification by a certified public  
93 accountant attesting to the adequacy of the reserves for claims  
94 reported on said provider's financial statements or contained in said  
95 provider's trust account.

96 (f) (1) An extended warranty shall contain the name and address of  
97 the insurers insuring the obligations and liabilities of such warranty  
98 and instructions on how the buyer, or successor to the buyer's rights,  
99 of the product may file a claim with the insurer if the extended  
100 warranty provider fails to perform according to the terms of the  
101 extended warranty.

102 (2) An insurer of an extended warranty shall not refuse to renew  
103 any policy unless such insurer or its agent shall send, by registered or  
104 certified mail or by mail evidenced by a certificate of mailing or  
105 delivery to the Insurance Commissioner, at least sixty days' advance  
106 notice of its intention not to renew. The notice of intent not to renew  
107 shall state or be accompanied by a statement specifying the reason for  
108 such nonrenewal.

109 (g) The Insurance Commissioner shall develop regulations, in  
110 accordance with chapter 54, implementing an arbitration process to  
111 settle disputes arising from extended warranty contracts between  
112 extended warranty providers and buyers.

113 (h) Nothing in this section shall apply to a home warranty contract  
114 or home warranty service agreement, as defined in section 38a-320,  
115 [automobiles] or regulated utilities.

***Statement of Purpose:***

To allow for the sale of third party obligor extended warranty contracts.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*